

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 AF-08 ARA-06 NEA-10 L-03 H-01 PA-01 PRS-01

IO-13 /130 W

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TO SECSTATE WASHDC PRIORITY 3112

INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L MANILA 19081

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 12/9/77

TAGS: EAID, EFIN

SUBJECT: OFFER BY EUROPEAN ECONOMIC COMMUNITY (EEC) OF GRANT
FUND FOR TECHNICAL ASSISTANCE OPERATIONS

SUMMARY: ADB AND EEC AHVE REACHED TENTATIVE AGREEMENT ON
PROPOSAL FOR EEC TO PROVIDE APPROXIMATELY US\$1,875,000
GRANT FOR BANK-EXECUTED TECHNICAL ASSISTANCE (TA)
PROGRAM WHICH WOULD FINANCE CONSULTING SERVICES FOR PROJECT
PREPARATION AND OTHER TA ACTIVITIES IN CERTAIN LEAST AND
LESS DEVELOPED DEVELOPING MEMBER COUNTRIES (DMCS) OF BANK.
USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. EEC, WHICH HAS BEEN PROVIDING DEVELOPMENT
ASSISTANCE UNDER LOME CONVENTION TO DEVELOPING COUNTRIES IN
AFRICA, CARRIBBEAN AND PACIFIC, INITIALLY BROACHED POSSIBILITY
OF CHANNELING PART OF ITS 1976 DEVELOPMENT AID TO ASIA
THROUGH ADB AT MEETING BETWEEN OFFICIALS OF TWO INSTITUTIONS
IN JULY 1976. SUBSEQUENTLY, THERE WERE INFORMAL DIS-
CUSSIONS WHEN EEC FACT-FINDING MISSION VISITED BANK
LAST AUGUST AND MADE FOLLOW-UP MISSION IN OCTOBER.

2. AS RESULT OF THESE DISCUSSIONS, EEC HAS NOW OFFERED
1.5 MILLION UNITS OF ACCOUNT (EQUIVALENT TO ABOUT
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US\$1,875,000) TO FINANCE, ON GRANT BASIS, A BANK-

EXECUTED PROGRAM OF TA FOR DMCS OF BANK IN ASIA. FUNDS TO BE MADE AVAILABLE TO BANK IN U.S. DOLLARS. AS DESIRED BY EEC, THERE WILL BE NO CONVERSION OF PART OF GRANT TO LOAN EVEN IF TA RESULTS IN LOAN FINANCING (AS UNDER BANK'S POLICY FOR TA FINANCING WITH OWN FUNDS).

3. PROPOSED ASSISTANCE IS TO FINANCE CONSULTING SERVICES FOR PROJECT PREPARATION AND OTHER TA ACTIVITIES IN SOME OF LEASE AND LESS DEVELOPED DMCS IN ASIA TENTATIVELY SELECTED BY EEC, NAMELY, BANGLADESH, INDONESIA, NEPAL, PAKISTAN, PHILIPPINES, SRI LANKA AND THAILAND. QUALIFYING PROJECTS SHOULD CONTRIBUTE TO RURAL DEVELOPMENT. TENTATIVE PROGRAM OF TA PROJECTS, ONE IN EACH OF SEVEN ABOVE-MENTIONED DMCS, HAS BEEN DISCUSSED WITH EEC AND WILL BE FINALIZED AFTER FURTHER CONSULTATIONS WITH EEC AND DMCS CONCERNED. FINAL PROGRAM WILL BE SUBMITTED TO BOARD. IF ANY OF PROJECTS DO NOT MATERIALIZE, BANK MAY SUBSEQUENTLY REPLACE WITH OTHER PROJECTS ACCEPTABLE TO EEC. INDIVIDUAL PROJECTS TO BE INCLUDED IN PROGRAM WILL BE AMONG THOSE INCLUDED IN BANK'S OVERALL TA PROGRAM FOR FINANCING FROM BANK'S OWN RESOURCES.

4. EEC FUNDS WILL BE RELEASED TO BANK IN INSTALLMENTS: FIRST INSTALLMENT OF 10 PERCENT TO BE PAID UPON APPROVAL OF TA PROGRAM BY EEC; AND 30 PERCENT OF TOTAL TO BE PAID EVERY THREE MONTHS ON RECEIPT OF PROGRESS REPORT FROM BANK. FUNDS HAVE TO BE FULLY ALLOCATED BY DECEMBER 1, 1977, BUT BANK COULD CONTINUE TO DRAW FROM FUNDS AFTER THAT DATE.

5. EEC WOULD LIKE PRIORITY TO BE GIVEN IN ITS FINANCING OF CONTRACTS TO CONSULTANTS FROM DMCS IN ASIA AND EEC COUNTRIES. FINANCING OF SERVICES OF CONSULTANTS FROM OTHER MEMBER COUNTRIES OF BANK IS, HOWEVER, NOT EXCLUDED IN EXCEPTIONAL CASES, BUT WOULD REQUIRE SPECIFIC JUSTIFICATION IN EACH SUCH CASE. HOWEVER, BANK WILL EXECUTE TA PROGRAM IN ACCORDANCE WITH NORMAL PROCEDURES AND IN CONFORMITY WITH ITS GUIDELINES ON USES OF CONSULTANTS. IF CONSULTANTS SELECTED ARE FROM NON-PRIORITY COUNTRIES

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AND ARE NOT ACCEPTED BY EEC, THEIR SERVICES WILL BE FINANCED FROM OTHER RESOURCES AND BANK MAY SUBSTITUTE ANOTHER PROJECT IN CONSULTATION WITH EEC AND RECIPIENT COUNTRY.

6. DIRECT COSTS TO BE PAID BY EEC INCLUDE COSTS OF TRAVELING AND PER DIEM INCURRED BY BANK STAFF IN CONNECTION WITH PROGRAM EXECUTION AND ANY FINANCIAL CHARGES BANK MAY

INCUR IN PURCHASING CURRENCIES FOR MAKING PAYMENTS.

7. BANK MANAGEMENT NOTE THAT PROPOSED TA WILL AUGMENT RESOURCES AVAILABLE FOR TA OPERATIONS AND MAY ALSO OPEN WAY FOR POSSIBLE CO-FINANCING ARRANGEMENTS WITH EEC FOR LOAN FINANCING IN FUTURE. AS EEC HAS TO FINALIZE AND SIGN AGREEMENT BEFORE CALENDAR YEAR-END, MANAGEMENT RECOMMENDS THAT BOARD APPROVE PROPOSED ARRANGEMENTS AND AUTHORIZE PRESIDENT TO SIGN WITH EEC AN AGREEMENT SUBSTANTIALLY ALONG LINES OF TENTATIVE DRAFT ENCLOSED WITH ADB DOC. R132-76 (POUCHED DECEMBER 7) BUT WHICH HAS NOT YET BEEN FINALLY CLEARED BY EEC.

11. COMMENT: USADB UNDERSTANDS BANK HAS HAD CONSIDERABLE DIFFICULTYWORKING OUT ARRANGEMENT SATISFACTORY TO EEC WITHOUT COMPROMISING BANK'S INDEPENDENT JUDGMENT IN PROJECT SELECTION. VIRTUAL TRYING OF CONSULTANT SELECTION TO REGIONAL DMCS AND EEC COUNTRIES WOULD SEEM TO BE NECESSARY PRICE FOR BANK TO PAY FOR ACCESS TO THESE EEC FUNDS. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION. SULLIVAN

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